

PRICES ALL-IMPORTANT IN RETAILERS' STRATEGY

The downturn in fashion and textile consumption in 2008 (-3 % compared to 2007) as well as in the first quarter of this year is unusual and a clear departure from the trend observed from 1995 to 2008. Throughout that period, spending progressed an average 0.9 % annually. Should this drop in consumption be interpreted as a deep shift in households' consumption behaviour or as a temporary economic phenomenon with households reducing spending to adjust to the crisis?

The 3 % drop recorded in 2008 corresponds to average fluctuation which masks some strikingly different evolutions, including some in which performance weakened considerably less. It was towards the end of 2008 that the decline in consumption of fashion and textile articles was the sharpest: - 4.7 % during the fourth quarter of 2008, as compared to the same period in 2007, whereas during the first three quarters the erosion suffered was more limited and never reached 3 %.

Moreover, depending upon the different market segments, consumption of men's and children's

clothing held up better than that of women's fashions. Indeed, sales of men's ready-to-wear slipped by only 1.1 % in value in 2008, while sales of children's clothing were 1.7 % lower than in 2007. As for distribution channels, last year profits even rose 2.5 % for variety stores and were comparable to the preceding year (-0.8) for department stores.

Upon closer inspection, the 3 % drop in consumption is primarily due to the fall in the prices of articles purchased, (-2.8 % on average), along with an increasing number of stock clearance sales and promotions. Consumers are by no means turning away from fashion spending—far from it. Indeed, a large number have not altered their consumption habits whatsoever. An IFM study of a representative sample of more than 1000 people conducted at the end of last year showed that in 2008 46 % of interviewees purchased as much clothing as usual.

In the end, fashion consumption is weathering the crisis rather well because it remains indispensable as a vehicle of seduction and

because one of fashion's driving forces is the appeal of the new. The fact remains nonetheless that during these times of crisis, certain changes in attitude can clearly be felt.

During the first quarter of 2009, consumption of fashion and textile articles shrank 2.6 % in value compared to the same period in 2008. While this change reflects a less dramatic drop than that of the fourth quarter of 2008, demand is still stuck in a downward-spiralling trend. In this kind of climate, consumers become increasingly fixated on price as the major criterion. It is not surprising that sales reached their highest scores in the quarter during the period of annual stock clearance sales in January: +3.1 % in value in comparison to January 2008. In addition, provisions in the French Law of the Modernisation of the Economy (LME) introducing extra promotional sales weeks seem to be rather successful in enabling retailers to boost their mid-season sales. It is a safe bet that in 2009 price will become a central focal point in retailers' strategy and that profits from promotional and stock clearance sales—which accounted for 31.6 % of their turnover in 2008—should reach

a record high this year. Import statistics for the first quarter of 2009 do indeed show a strong upsurge in French clothing imports coming from Asia (+9 %), to the detriment of European and Mediterranean production (-12 %).

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